

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas and Electric
Company for Recovery of Costs to
Implement Electric Rule 24 Direct
Participation Demand Response
(U39E).

Application 14-06-001
(Filed June 2, 2014)

And Related Matters.

A.14-06-002
A.14-06-003

**THE OFFICE OF RATEPAYER ADVOCATES' OPENING COMMENTS
ON PROPOSED DECISION APPROVING RECOVERY OF COSTS TO
IMPLEMENT AN INITIAL LEVEL OF DEMAND RESPONSE DIRECT
PARTICIPATION**

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's Rules of Practice and Procedure, the Office of Ratepayer Advocates (ORA) submits the following comments on the Proposed Decision (PD) of Administrative Law Judge Kelly A. Hymes, dated February 20, 2015. The proposed decision addresses recovery of costs to implement an initial level of Demand Response (DR) direct participation in the applications of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E) (jointly, the "Utilities"). Rule 14.3 states that parties may file comments on a proposed decision within 20 days of the date of its service of the parties. The proposed decision was served on February 20, 2015; thus, this filing is timely.

ORA's comments focus on factual, legal, and technical errors¹ in the proposed decision, and are summarized below:

- While ORA supports the concept of using DR for real-time and ancillary services, the Commission should not prematurely require the Utilities to include support for real-time and ancillary services in the Initial Implementation Step without a thorough understanding of the work required and a demonstration of need.
- The proposed decision should be modified to extend the deadline for comments on the Intermediate Implementation Step so the comments can be informed by actual implementation of the Initial Implementation Step and experience with third-party direct participation.
- ORA supports the proposed decision's guidance for a multiple step approach to implement third-party direct participation.
- ORA supports allocation of costs for the Utilities to implement Rule 24 to distribution customers.

¹ Rules of Practice and Procedure, Rule 14.3.

II. DISCUSSION

A. **The Commission Should Not Prematurely Require the Utilities to Include Support for Real-Time and Ancillary Services in the Initial Implementation Step Without a Thorough Understanding of the Work Required and a Demonstration of Need**

The proposed decision directs the Utilities to file proposed budgets for providing support for real-time and ancillary services and prematurely determines that the Utilities shall provide support for those services during the Initial Implementation Step before the issues surrounding the need for supporting those services, required work, and necessary funding have been vetted.²

The proposed decision relies on anecdotes to state that the record of this proceeding shows that real-time and ancillary services products provide larger potential financial upside for demand response providers.³ The proposed decision references comments made by Ohmconnect and TURN in briefs, but upon review of those briefs (or any other pleading in this proceeding), neither party provided any supporting evidence for their statements.⁴

In addition to insufficient evidence regarding the additional value real-time and ancillary services products can provide to DR providers, the proposed decision also lacks a compelling reason to justify the order that the Utilities produce a budget within 30 days of the Decision.⁵ Real-time and ancillary services products have more difficult and stringent requirements compared to System RA that DR providers may find challenging to meet. For example,

² PD, p.60. Ordering Paragraph (OP) 5. In their Initial Implementation Step, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall provide day-ahead, ancillary, and real-time services. 6. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (jointly, the Applicants) are directed to file proposed budgets for providing ancillary and real-time services during the Initial Implementation Step. The Applicants shall each file budget proposals no later than 30 days following the issuance of this decision. Parties are invited to file comments on the budget proposals no later than 14 days following the filing by the Applicants.

³ PD, p.37. “While day-ahead markets are the most accessible entry point for the integration of demand response, the record in this proceeding shows that realtime and ancillary services products provide larger potential financial upside for demand response providers.”

⁴ Ohmconnect Brief, p.7 and TURN Brief, p.6.

⁵ PD, p.37. “We direct the Applicants to file proposed budgets for implementing real-time and ancillary services during the Initial Implementation Step. The budgets shall be filed no later than 30 days following the issuance of this decision. Parties shall have 14 days following the filing of the proposals to comment on these budgets.”

workshop discussions indicated that the type of meter data the CAISO would require is different for the day-ahead market versus real-time and ancillary services; hourly for the day-ahead market and fifteen minutes for ancillary services or real-time markets.⁶ The Commission should not prematurely require the Utilities to include support for real-time and ancillary services in the Initial Implementation Step without a thorough understanding of the work required and a demonstration of need.

No utility provided information on the breadth of work needed to provide support for real-time and ancillary services compared to the day-ahead market. For example, any additional IT work, additional changes to the current CAISO requirements that would be necessary to accommodate these additional products, as well as costs options should be provided before approving budgets beyond meeting the day-ahead bidding requirements. While PG&E's testimony of business process requirements for complete Rule 24 implementation does mention support for real-time and ancillary services, PG&E's testimony does not break down the difference between work for those services and the service requirements for the day-ahead market.⁷

The stated requirement of 30 days for Utilities to file proposed budgets for supporting real-time and ancillary services and 14 days for parties to comment on the budgets⁸ is insufficient to provide a robust process for discussion of the issues regarding the need for supporting real-time and ancillary services, the required work, and necessary funding. In the event that the Commission seeks to sufficiently vet the issues regarding utility support for real-time and ancillary services products, the Utilities should be required to submit additional testimony.² In this additional testimony, the Utilities should present a detailed budget that includes justification in the form of details regarding the work needed to support the services,

⁶ September Workshop Report Appendix A, p.A-6.

⁷ PGE-01, Appendix A.

⁸ PD, p.59.

² Other interested parties could also be provided an opportunity to provide intervenor testimony on issues surrounding support for real-time and ancillary services products.

and any demand forecasts for those services. ORA recommends that Finding of Fact (FOF) 38, 39 and 40¹⁰ and Ordering Paragraph (OP) 5 and 6 be deleted because they are unsupported by the record of this proceeding. Also, in the event that the Commission seeks to sufficiently vet the issues regarding utility support for real-time and ancillary services products, the Utilities and intervenors should be provided the opportunity to serve testimony on the issues.

B. The Proposed Decision Should Extend The Deadline For Comments On An Intermediate Implementation Step

The proposed decision directs the Utilities and other stakeholders to file comments on an Intermediate Implementation Step (number of participants and why, services to be included and why, what data should trigger moving to the Intermediate Implementation Step and why) seven months after the issuance of the Decision.¹¹ It states that the time is needed to collect data on direct participation through the quarterly status report and to gain experience in the CAISO market.¹² However, tying the comment period to the issuance of the Decision at this point is premature because the only additional information that would likely be available seven months after the issuance of the Decision would only be development status information regarding the CAISO and the Utilities' systems. At that point, there may not be enough information to demonstrate that the Utilities' systems are ready or for third-parties and customers to begin direct participation because depending on when the Decision is issued, it could be before the deadline for the Initial Implementation Step of January 1, 2016.¹³ Alternatively, ORA recommends that the proposed decision should be changed to require comments on an

¹⁰ FOF 38. The record in this proceeding shows that real-time and ancillary services products provide larger potential financial upside for demand response providers.

FOF 39. It is not reasonable to wait for experience in the day-ahead market before investing the needed capabilities to support participation in the real-time and ancillary services markets.

FOF 40. Enabling third parties to access real-time and ancillary service markets could help make the integration of demand response more commercially viable for customers and third party providers.

¹¹ PD, p.50.

¹² *Id.*

¹³ PD, p.59.

Intermediate Implementation Step to a period after January 1, 2016—at which point the Utilities would be required to have systems in place to support third-party direct participation. Further, ORA recommends the proposed decision change the deadline for comments in OP 14 to April 1, 2015 so the comments can be informed by actual implementation of the Initial Implementation Step and 3 months of experience with third-party direct participation.

C. ORA Supports The Proposed Decision’s Direction For Multiple Steps To Implement Third-Party Direct Participation

The proposed decision takes a multiple-step approach to the implementation of demand response direct participation, recognizing that multiple steps allow for efficient and effective implementation while protecting ratepayers.¹⁴ It approves an automated Initial Implementation Step for the Utilities, with plans to develop and Intermediate Implementation Step.¹⁵ Additionally, the proposed decision requires the Utilities to file quarterly reports on the status of demand response direct participation to justify future steps.¹⁶ ORA supports this approach, as it provides for practical and prudent execution with opportunities for milestones based on experience and data.

The proposed decision also approves PG&E’s proposal to use temporary automated desktop applications for its Initial Implementation Step while recognizing ORA’s concerns regarding stranded assets and additional funding in the future to provide the same functionality that SCE and SDG&E has included in their initial implementation.¹⁷ To address this issue, the proposed decision encourages PG&E to devise a system that is reusable.¹⁸ ORA supports efforts to avoid squandering ratepayer funds.

¹⁴ PD, p.16.

¹⁵ PD, p.59-61.

¹⁶ PD, p.17.

¹⁷ PD, p.38-40.

¹⁸ PD, p.40.

D. ORA Supports Allocation Of Costs For The Utilities To Implement Rule 24 To Distribution Customers

The proposed decision authorizes the Utilities to allocate the costs of implementation of third-party demand response direct participation to distribution customers.¹⁹ The proposed decision correctly finds that because the direct participation rules apply to services that involve all customers, the costs of implementation should be borne by all distribution customers.²⁰ ORA supports the cost allocation adopted in the proposed decision which is consistent with the cost causation principle adopted in D.14-12-024.

III. CONCLUSION

ORA recommends its proposed changes be incorporated in the final decision.

Respectfully submitted,

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¹⁹ PD, p.61.

²⁰ PD, p.56.